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Message Text

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BELGRADE FOR AGATT SVEC

E.O. 11652: N/A
TAGS: ECON, EAGR, ELAB, RO
SUBJECT: RCP LEADERSHIP ANNOUNCES PLANNED IMPROVEMENTS FOR LIVING STANDARD

REF: (A) BUCH 3392 (B) 76 BUCH 4118 (C) BUCH 1118
(D) BUCH 3048

1. SUMMARY: RCP POLITICAL EXECUTIVE COMMITTEE (POLEXCO) APPROVED MAY 6 DRAFT PROGRAM FOR 1976-80 PROPOSING ACROSS-THE-BOARD WAGE AND PENSION INCREASE FOR INDUSTRIAL AND AGRICULTURAL WORKERS, INCREASED AVAILABILITY OF CONSUMER GOODS AND SERVICES AND OFFERED STATE BUDGET FOR SOCIAL-CULTURAL EXPENDITURES. PROGRAM PROVIDES ELABORATE DATA ON WAGE INCREASES FOR EACH INDUSTRIAL BRANCH AND TYPES
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OF AGRICULTURAL UNITS. VARIETY OF FINANCING MEASURES WERE CITED, INCLUDING IMPROVED WORKER PRODUCTIVITY, RE-DUCED COST OF INVESTMENT, AND MORE "JUDICIOUS" MANAGEMENT OF THE SOCIAL CONSUMPTION FUND. END SUMMARY.

2. INDUSTRIAL WAGES: ACCORDING TO POLEXCO PROGRAM REAL NET WAGES FOR INDUSTRIAL WORKERS ARE SCHEDULED TO INCREASE ON

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AVERAGE BY 30.2 PERCENT DURING THE CURRENT FYP, COMPARED WITH
18-22 PERCENT RANGE PUBLISHED IN FYP LAW OF JULY 1976 (REF B).
CORRESPONDINGLY THE AVERAGE INCREASE IN NET NOMINAL WAGES BY
1980 WAS GIVEN AS 38 PERCENT, WHICH APPARENTLY ACKNOWLEDGES AN INFLA-
TION RATE OF 7.8 PERCENT OVER THE PLAN PERIOD. PRINCIPAL
FEATURES ARE AS FOLLOWS: (A) GROWTH RATES FOR INDIVIDUAWO
INDUSTRIES FALL INTO NARROW RANGE (27.8-32.0 PERCENT) WITH
MAXIMUM INCREASE AWARDED TO METALLURGICAL AND ABRASIVE PRODUCTS
INDUSTRIES. PROGRAM CONTAINS FIRST PUBLISHED SCHEDULE OF
"REAL SALARY COEFFICIENTS" BY INDUSTRY BRANCH, GIVING MINIMUM
BASIC INDUSTRY COEFFICIENT AS WELL AS MAXIMUM COEFFICIENT FOR
EACH INDUSTRY BRANCH. THIS SCHEDULE IS COMPOSED OF INDICES
(COEFFICIENTS) THAT SHOW RELATIVE WEIGHTS GOR ASSIGNS FOR
DETERMINING LEVEL OF RENUMERATION FOR SAME JOB CLASSIFICATION
IN DIFFERENT INDUSTRIES. HIGHEST SALARIES ARE PAID IN SUB-
TERRANEAN MINING AND MACHINE BUILDING. LOWEST SALARIES AND
BASE FOR COMPUTATION OF SALARY COEFFICIENTS COME FROM FORESTRY
SECTOR AND SECTOR PRODUCING CONSTRUCTION MATERIALS FOR LIGHT
INDUSTRY. BASE COEFFICIENT FOR MINING IS 30 PERCENT HIGHER THAN BASE
COEFFICIENT (1.0) IN FORESTRY, WITH CORRESPONDING MAXIMUM CO-
EFFICIENT 80 PERCENT HIGHER. ACCORDING TO THIS SCHEDULE OF CO-
EFFICIENTS ORDINAL RANKING OF REMUNERATION BY BRANCHES HAS NOT BEEN
CHANGSRWIN RELATION TO PROVISION OF THE ORIGINAL FYP. ONLY THE
ABSOLUTE VALUE OF BOTH THE BASIC AND MAXIMUM COEFFICIENTS
HAVE INCREASED ROUGHLY BY 5 PERCENT FOR EACH INDUSTRY IN RELATION
TO THE PREVIOUSLY MENTIONED SECTORS USED AS BASES FOR COMPUTA-
TION. (B) SALARY INCREASES WILL TAKE PLACE IN TWO STAGES
WITH EXACT TIMING DETERMINED BY INDUSTRY BRANCH. FIRST
ST BE WILL AVERAGE 17 PERCENT, GRANTED BETWEEN JULY, 1977 AND SEPT.
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1978. SECOND STAGE WILL AVERAGE 13 PERCENT, BEGINNING FEB 1979
AND CONTINUING INTO 1980. (C) ENGINEERS AND FOREMAN ARE
PLACED IN CATEGORY OF "PRODUCTIVE TECHNICAL PERSONNEL,"
ENTITLING THEM TO 20 PERCENT HIGHER WAGES THAN SKILLED WORKERS.
(D) AS OF 1 JULY WORKERS WILL NO LONGER PAY AN INCOME TAX
DIRECTLY. INDIVIDUAL ENTERPRISES WILL PAY SOME SORT OF COR-
RESPONDING TAX THAT WILL BE SPECIFIC TO EACH INDUSTRY AND
WHICH HAS NOT YET BEEN ANNOUNCED.

3. AGRICULTURAL INCOMES: POLEXCO PROGRAM PROVICES FOR 30 PERCENT
AVERAGE NET REAL WAGE INCREASE FOR AGRICULTURAL WORKERS COM-
PARED WITH A PREVIOUSLY PLANNED INCREASE OF 18.2PERCENT. SPECI-
FICALLY, EMPLOYEES OF STATE ENTERPRISES AND MECHANIZATION
STATIONS WILL ACHIEVE INCREASES IN NET WAGES OF 35 PERCENT BY 1980.
COOPERATIVE FARMERS WILL RECEIVE AN AVERAGE INCREASE IN
REAL WAGES OF 33 PERCENT. WITHIN THIS 33 PERCENT, INCOME DERIVES BY
CO-OPERATIVE FARM WORKERS FROM COOP FARM WORK WOULD RISE
BY 43 PERCENT AND INCOME FROM PRIVATE PLOTS WOULD INCREASE
BY 13 PERCENT. PERCENTAGE OF WAGE INCREASE IN COOPERATIVE

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SECTOR AS WELL AS ABSOLUTE LEVEL WILL VARY ACCORDING
TO IMPORTANCE OF SECTOR. HIERARCHY
PUBLISHED FOR PERCENT WAGE INCREASE TO BE RECEIVED IS AS
FOLLOWS:
(1) HORTICULTURE, (2) ANIMAL HUSBANDRY AND MECHANIZATION,
AND (3) VEGETABLES.
ABSOLUTE LEVEL OF WAGE TO BE RECEIVED BY 1980 HOWEVER, WILL
SHOW HORTICULTURE AND ANIMAL HUSBANDRY/MECHANIZATION REVERSED.
NET INCOME FOR PRIVATE FARMERS WILL INCREASE 16 PERCENT BY 1980.

4. PERSIONS: PENSIONS FOR INDUSTRIAL WORKERS ARE ALSO
SLATED TO RISE IN TWO STAGES, ACHIEVING AN INCREASE OF 23.2 PERCENT
BY 1980. ELIGIBILITY REQUIREMENTS TO RECEIVE FULL PENSION HAVE
BEEN CHANGED TO 30 YEARS OF WORK FOR MEN AND 25 YEARS FOR
WOMEN. PREVIOUS REQUIREMENTS WERE 25 AND 20 YEARS, RESPECTIVELY.
PEASANTS WORKING COOPERATIVES WILL ACHIEVE PENSION INCREASES
AVERAGING 20 PERCENT BY 1980. PENSION SUPPLEMENTS OF 10-15 PERCENT
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WILL BE RECEIVED BY COOPERATIVE PERSONNEL PERFORMING MANAGE-
MENT DUTIES, REACHING DOWN TO RANK OF BRIGADE LEADER. AS
ANNOUNCED (REF A) PRIVATE FARMERS WILL BE COVERED BY PENSION
PLAN. ELIGIBILITY WILL BEGIN AT AGES 70 AND 65 FOR MEN AND
WOMEN, RESPECTIVELY. BY JOINING SPECIAL FRUIT-TREE GROWING
OR ANIMAL RAISING ASSOCIATIONS (REF A) PRIVATE FARMER CAN BECOME
ELIGIBLE FOR INCREASED PENSION AND INCOME BENEFITS. COOPERATIVE
PENSIONS WILL BE FINANCED BY JOINT CONTRIBUTIONS FROM INDI-
VIDUAL COOPERATIVES AND STATE. PENSIONS FOR PRIVATE FARMERS
WILL BE FINANCED BY CONTRIBUTION OF 40 LEI/MONTH FOR ALL
FAMILY MEMBERS OF PRIVATE FARMERS OVER AGE 18 TOGETHER WITH
STATE CONTRIBUTIONS EQUAL TO 2 PERCENT OF PRIVATE FARMERS' SALES TO
STATE.

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5. CONSUMER AND SOCIAL CULTURAL DIMENSIONS: PROGRAM ALSO SET FORTH 1976-1980 TARGETS FOR SOCIAL-CULTURAL EXPENDITURES AND CONSUMER GOODS AND SERVICES, WHICH IN SOME CASES REPRESENT AN UPWARD REVISION OF PROVISIONS IN CURRENT FYP LAW. OVERALL, DISTRIBUTION OF CONSUMER GOODS WILL INCREASE BY 52.1 PERCENT IN THIS FYP PERIOD INSTEAD OF PREVIOUSLY PUBLISHED 47.5. CORRESPONDING INCREASE IN SERVICES HAS BEEN REVISED FROM 68.6 TO 75.3 PERCENT. IN RURAL AREAS SPECIFICALLY, DISTRIBUTION OF CONSUMER GOODS IS TO RISE BY 48.6 PERCENT AS OPPOSED TO 46.1 PERCENT NOTED IN FYP LAW AND SERVICES ARE TO EXPAND BY 20 PERCENT INSTEAD OF PREVIOUSLY PUBLISHED 16.1 PERCENT. THIS PROGRAM ALSO MENTIONS THAT CURRENT FYP LAW WILL BE SUPPLEMENTED BY ADDED CONSTRUCTION OF OVER 190 THOUSAND APARTMENTS BY STATE. ADDITIONALLY, BETWEEN 250-300 THOUSAND DWELLINGS WILL BE BUILT IN RURAL AREAS THROUGH LOCAL FINANCING.

6. COMMENT: ALTHOUGH THIS DRAFT PROGRAM IS SEEMINGLY WIDE-RANGING, IT IS TOO EARLY TO ASSESS THE AMOUNT OF REAL GAINS EXTENDED TO POPULATION. IRRESPECTIVE OF MAGNITURE OF INCREASE
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IT SEEMS TO FOLLOW PREVIOUS FYP PRACTICE OF SETTING MODEST INITIAL TARGETS FOR GROWTH OF LIVING STANDARD, WHICH GOR SUBSEQUENTLY RAISES IN CORRESPONDENCE TO GROWTH OF NATIONAL INCOME. IN THIS SPECIFIC CASE, IT SEEMS CLEAR TIMING OF AN-NOUNCEMENT WAS CALCULATED "PSYCHOLOGICAL BOOST" TO POPULACE IN AFTERMATH OF EARTHQUAKE SINCE IN NEAR FUTURE IT PROMISES TO PUT MORE MONEY IN CONSUMER'S POCKET.

7. EFFECT ON WAGES OF CHANGE IN INCOME TAX PROCEDURES IS PARTICULARLY DIFFICULT TO ASSESS. ALTHOUGH SCHEDULED FOR TERMINATION IN JULY AT FACE VALUE MODIFICATION APPEARS TO BE ONLY DIFINTIONAL IN CHARACTER SINCE AFTER JULY 1 WORKERS WILL STILL CONTINUE TO RECEIVE NET AND NOT GROSS INCOME. CON-CEIVABLY WORKERS COULD GAIN SALARY ADVANTAGE WITH REGARD TO

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BONUSES. IF BONUSES WILL NOT BE SUBJECT TO TAX OR WILL BE TAXED AT LOWER RATE BECAUSE THEY WOULD NO LONGER BE ADDED TO GROSS INCOME TO DETERMINE TALRATE WORKERS WILL GAIN. NEW TAX POLICY COULD THEN BE SEEN AS ATTEMPT TO PROVIDE GREATER INCENTIVES TO SPUR PRODUCTIVITY. ATTEMPTS TO RECEIVE EX-PLANATION FROM MINISTRY OF FINANCE AND OTHER GOR OFFICIALS WERE NOT SUCCESSFUL.

8. OUR DIFFICULTY IN MEASURING REAL WAGE INCREASE FURTHER COMPOUNDED IN THAT PUBLISHED PROGRAM SWITCHED FREQUENTLY USE OF GROSS, NET OR REAL INCOME, CITING NET INCREASES FOR SOME BCBNCHES OF THE ECONOMY AND REAL INCREASES FOR OTHERS. ALSO REGARDING PUBLISHED TABLE OF INDUSTRY BRANCH COEFFICIENTS, NO BASE SCHEDULE FOR LEVEL OF NOMINAL, NET OR REAL INCOME WAS PROVIDED. EXPLANATION OF HOW SALARIES DETERMINED FOR SPECIFIC INDUSTRY WITHIN GIVEN RANGE OF BASE AND MAX COEF-FICIENTS ALSO NOT PUBLISHED OR PROVIDED BY MINISTRY OF FINANCE; PLANNED

INFLATION RATE GIVEN IN PARA 3 COMPUTED ON ANNUAL BASIS IS SIGNIFICANT INCREASE (.6 PERCENT) OVER 1976 PUBLISHED INFLATION RATE (REF C) AND COULD SERVE TO APPRECIABLY REDUCE PROJECTED GAINS IN LIVING STANDARD.
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9. IN VIEW OF RECENT PUBLIC ATTENTION FOCUSED ON AGRICULTURAL SECTOR INTERESTING TO NOTE THAT AGRICULTURAL WORKERS RE-CEIVED NO SIGNIFICANT ADVANTAGE OVER BENEFITS ACCRUING TO INDUSTRIAL WORKERS. FACT THAT AVERAGE REAL WAGE INCREASES AND PENSION INCREASES PUBLISHED FOR INDUSTRIAL WORKERS WERE BOTH MARGINALLY HIGHER THAN FOR AGRICULTURAL WORKERS REINFORCES OUR SKEPTICISM (SEE COMMENT REF A) OF GOR'S "NEW COMMITMENT" TOWARD AGRICULTURE.

10. CLEARLY, ECONOMIC COST IN PROGRAM OR THIS SCOPE IS ENORMOUS AND IT IS PROBABLE THAT GOR HAS NOT YET ANNOUNCED ALL MEANS BY WHICH PUBLISHED BENEFITS WILL BE FINANCED IF THIS PROGRAM IS APPROVED BY GNA. SOME INDICATION OF FINANCING IS EVIDENT FROM CEAUSESCU'S MARCH 28 SPEECH (REF D) WHERE HE MENTIONS THAT FUNDS PREVIOUSLY MARKED FOR SOCIAL EXPEN-DITURE WILL BE REDUCED. ACCURATE ASSESSMENT OF NEW WAGE/PEN-SION POLICY MUST WAIT FOR INDICATION OF MAGNITURE AND AREAS OF CUTS IN SOCIAL EXPENDITURES. ALSO WORTH NOTING IS LACK OF REFERENCE TO REDUCTION OF WORK WEEK TO 5 DAYS AS PREVIOUSLY ANNOUNCED FOR CURRENT FYP. END COMMENT.
BARNES

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